

## Message Text

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41

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TO SECSTATE WASHDC 3560

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E.O. 11652: N/A

TAGS: EINV, PINT, CA

SUBJECT: NEWSPAPER URGES HOLDING COMPANY SHAREHOLDERS PASS BY-LAW  
PREVENTING FOREIGN CONTROL

1. IN A MAY 19 EDITORIAL "SHAREHOLDERS CAN KEEP BRASCAN CANADAIN",  
THE TORONTO STAR URGED SHAREHOLDERS OF BRASCAN LTD. TO APPROVE A  
PROPOSED BY-LAW MAKING THE COMPANY A "CONSTRAINED COMPANY" UNDER  
CANADAIN LAW WHICH WOULD PREVENT FOREIGN SHAREHOLDINGS FROM EVER  
EXCEEDING 49 PERCENT. THE EDITORIAL NOTES THAT MOST BROADCASTING  
COMPANIES, BANK AND PUBLISHING COMPANIES HAVE ALREADY ADOPTED SUCH A  
BY-LAW AND THAT THE HUDSON BAY COMPANY IS IN THE PROCESS OF DOING SO.  
BRASCAN, FORMERLY BRAZILIAN LIGHT AND TRACTION, HAS SIZEABLE INTERESTS

IN BRAZILIAN POWER UTILITIES BUT ALSO SIGNIFICANT HOLDINGS IN  
CANADIAN RESOURCES AND, THROUGH ITS MAJORITY OWNERSHIP OF JONLAB  
INVESTMENTS LTD., INTERESTS IN CABLE TV AND VARIOUS INVESTMENT FIRMS,

2. "AT THE MOMENT ABOUT 56 PERCENT OF BRASCAN'S SHARES ARE HELD  
BY CANADAINS, A PRECARIOUS MAJORITY, ANY ATTEMPT BY A FOREIGN  
INVESTOR TO GAIN CONTROL WOULD HAVE TO BE APPROVED BY THE FOREIGN  
INVESTMENT REVIEW AGENCY. BUT MAJORITY CONTROL COULD SLIP AWAY  
THROUGH NORMAL SHARE TRADING." THE EDITORIAL CITES LOCAL RUMORS  
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EVIDENCING BLOCKS OF OPPOSITION AMONG CERTAIN SHAREHOLDERS TO

THE PROPOSED BY-LAW ON THE BASIS THAT IT MIGHT HAVE A NEGATIVE EFFECT ON SHARE VALUE. THE EDITORIAL CONCLUDES WITH THE HOPE THAT MOST OF THE SHAREHOLDERS WILL AGREE WITH COMPANY MANAGEMENT AND "KEEP BRASCAN CANADIAN."

3. IN THE EDITORIAL, THE STAR STATES THAT "IDEALLY CANADIAN LAW SHOULD REQUIRE ALL COMPANIES INVOLVED IN RESOURCE DEVELOPMENT TO BE CONTROLLED 51 PERCENT BY CANADIANS. WITHOUT SUCH A NATIONAL POLICY, EVEN COMPANIES NOW UNDER CANADAIN CONTROL CANNOT BE CERTAIN OF RETAINING THEIR STATUS, AND DECISIONS ON DEVELOPING RESOURCES MAY BE MADE NOT IN CANADA'S INTERST BUT TO SUIT THE BALANCE SHEET OF A FOREIGN PARENT COMPANY."  
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